

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Village of Bellaire	County Antrim
Fiscal Year End 02/28/07	Opinion Date March 23, 2007	Date Audit Report Submitted to State 10/26/2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

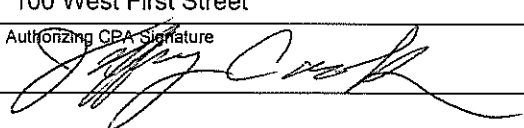
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Keskine Cook Miller & Alexander, LLP		Telephone Number 989-732-7515	
Street Address 100 West First Street		City Gaylord	State MI
		Zip 49735	
Authorizing CPA Signature 	Printed Name Jeffrey Cook		License Number 1101011876

VILLAGE OF BELLAIRE
ANTRIM COUNTY, MICHIGAN
AUDITED FINANCIAL STATEMENTS
FEBRUARY 28, 2007

Village Officials

President	John Hanson
President Pro-tem	Dennis Balon
Treasurer / Deputy Clerk	Catherine Odom
Chief of Police	Brad Rowe
Street Administrator	Kenneth M. Stead
Council Executive / Clerk	Janet Person
Beautification Commission Administrator	Patricia Drollinger

Trustees

Dennis Balon
James Baker
Eugene Dewey
Helen Schuckel
Patricia Drollinger
Bob Rodriguez

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INDEPENDENT AUDITOR'S REPORT

March 16, 2007

To the President and Members of the Village
Council of the Village of Bellaire

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Village of Bellaire, Antrim County, Michigan as of and for the year ended February 28, 2007, which collectively comprise the Village's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Village of Bellaire, Antrim County, Michigan as of February 28, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 3-7 and budgetary comparison information on pages 37-42, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 16, 2007, on our consideration of the Village of Bellaire's compliance and internal control over financial reporting.

Keskine, Cook, Miller & Alexander, LLP
Certified Public Accountants



VILLAGE OF
BELLAIRE

EST. 1891

VILLAGE OF BELLAIRE

202 N. BRIDGE STREET

PO BOX 557

BELLAIRE, MI 49615

VILLAGE OF BELLAIRE MANAGEMENT'S DISCUSSION & ANALYSIS YEAR ENDED FEBRUARY 28, 2007

This section of the Village of Bellaire's annual financial report presents our discussion and analysis of the Village's financial performance during the fiscal year ended February 28, 2007. Please read it in conjunction with the financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Assets at February 28, 2007 totaled approximately \$2,281,000 for governmental activities and \$3,350,000 for business-type activities. Of these totals, approximately \$1,205,000 and 2,660,000, respectively, represent capital assets net of depreciation. Overall, assets decreased by less than 1% from the prior year.

Overall revenues were approximately \$1,280,000 (\$890,000 from governmental activities and \$524,000 from business-type activities). Overall expenses approximated \$1,175,000 (\$811,000 for governmental activities and \$506,000 for business-type activities).

The tax base increased by approximately 6%.

The Village incurred no new debt instrument during the year and purchased approximately \$125,000 in capital assets. Long-term debt and capital asset activity is addressed further in a subsequent section of this letter.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts, management discussion & analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Village.

The first two statements are Village wide financial statements and provide both long and short-term information about our overall financial status. These statements present government activities and/or business type activities.

The remaining statements are fund financial statements, which focus on individual parts of the Village in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity wide statements report information about the entity as a whole using accounting methods used by private companies. The statement of net assets includes all of the entity's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

Most of the activities of the Village are reported as governmental activities. These would include the general fund, cemetery fund, parks, major streets, local streets, public safety fund and the motor pool fund. Some activities such as the water and sewer funds are treated as business activities where the revenues of the activity are designed to pay for the operations of the activity.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Village's funds, focusing on significant (major) funds not the Village as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Village board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditure of those resources.

The Village has the following types of funds:

Governmental Funds: Most of the Village's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Village's government-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Village's governmental funds include: General, Law Enforcement, Major Street, Local Street, Soccer Park, Various Debt Service Funds and Cemetery.

Proprietary Funds: These funds represent activities in the government which are basically treated like private sector companies. These funds are designed to have revenues earned adequate to pay for the operations of the activity. These funds are presented on a full accrual method and will show no difference between the Village's government-wide statements and fund statements presentation. The Village's proprietary funds include: Water, Sewer and Internal Service.

FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

Net Assets: The Village's combined net assets increased approximately \$50,000 during the year ended February 28, 2007 totaling \$3,678,972.

Governmental Activities: The net assets for governmental activities increased approximately \$79,000.

Business Type Activities: The net assets for business-type activities increased approximately \$22,000.

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

General Fund: This fund is used to record all activities of the Village not required to be recorded in a separate fund. This would include parks, zoning, dam, building and grounds, legislative, administrative, and elections. The major source of revenue for the general fund is from the Village tax base, the revenue sharing from the State of Michigan. The major expenses for this fiscal year include the general operating activities of the Village.

Major Streets: This fund is used to record revenues and expenses for major (state-owned) streets located within the Village. The major source of revenue comes from the State of Michigan in the form of transportation taxes and grants for snow removal. The major expense for this fund is equipment rental for snow removal and street repair.

Local Streets: This fund is used to record revenues and expenses for local (Village-owned) streets. Local street revenue comes from property taxes and from the state in the form of grants for snow removal and from gas and weight taxes. This fund also records contributions from area Townships for repairing or paving local streets.

Public Safety Fund: The public safety fund is used to record police department activities. Its major source of revenue comes from the general fund. The expenses incurred are for operational costs.

Soccer Park: This fund is used to record the grant activity and public contributions related to capital improvements planned for the Village's Soccer Park.

Cemetery Fund: The major source of revenue is from the sale of cemetery plots and openings for burials. The expenses incurred are for maintenance.

Sewer Fund: The sewer fund records all activities of the Village's wastewater treatment system. The major source of revenue is from user charges, and the major expense is the operation and maintenance of the sewer system.

Water Fund: This fund is used to record revenues and expenses for the Village water system. The revenues come from user charges and the expenses are incurred for operation and maintenance.

Internal Service: This is used to record the operation by the Department of Public Works. The primary source of revenue comes from equipment rental fees charged to the other funds of the Village. The primary expenses are accrued from the operations and maintenance of equipment.

Bellaire Building Authority Debt Service: This fund collected lease revenue from the general fund and satisfied the debt service requirements of the Craven Dam Bond.

2004 Water Upgrade Debt Service: This fund satisfies the debt requirements of the Water Upgrade Bond issued in the current year.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

Capital Assets: Additions to the Village's capital assets for this year include new computer equipment for the offices and one for the water department, lawn tractors & trailer for use by the parks department, generators for effective operation of the water system in case of power outage, a bucket truck purchased by motor pool for the safety of personnel, new dock placed on Craven Pond at Craven Park, handguns for the police department, utility billing software, a document scanner for scanning office documents for safekeeping and a new well in the water department.

Long Term Debt:

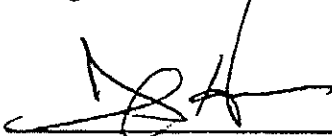
- ◆ Sewer Revenue Bond: The Revenue Bond payments for this fiscal year totaled \$69,028 (\$35,000 principal and \$34,028 interest).
- ◆ Sewer General Obligation Bond: The bond payments for this fiscal year totaled \$64,690 (\$25,000 principal and \$39,690 interest).
- ◆ Bellaire Building Authority Bond: The bond payments made this fiscal year for the restoration of Craven Dam totaled \$16,820 (\$10,000 principal and 6,820 interest).
- ◆ Water Upgrade Capital Improvement Bond: The Village paid \$5,760 in loan payments for the fiscal year (\$4,000 principal and \$1,760 interest).
- ◆ Inter-fund Loan to Local Street from General Fund: The Local Street Fund paid the General Fund \$11,655 (\$7,513 principal and \$4,142 interest) for re-payment of an inter-fund loan.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

With the possibility of state budget cuts from revenue sharing, the Village is looking at ways to cut their budget and keep the services provided to its residents. The Village is proceeding with the completion of a waterline upgrade that was started last year, is working with AYSO to complete a bathhouse/concession stand at the soccer park and is researching the feasibility and cost of dredging Craven Pond. The Village also shares the office building and expenses for the building with Kearney Township. They have been researching moving out of their half of the building. If they proceed, the Village will have to look whether they can afford the expense of the entire building and the options that may be open to them.

CONTACTING VILLAGE MANAGEMENT

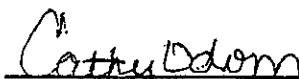
This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Village's finances and to demonstrate the Village's accountability for the revenues it receives. If you have any questions concerning this report please contact Cathy Odom, Village Treasurer/Deputy Clerk or John Hanson, Village President at 202 N. Bridge St., P.O. Box 557, Bellaire, MI 49615 or by calling 231-533-8213 during the hours of 8:00 AM to 4:00 PM.



John Hanson, Village President



Dennis Balon, Village President Pro-Tem



Cathy Odom, Village Treasurer/Deputy Clerk

**VILLAGE OF BELLAIRE
STATEMENT OF NET ASSETS
FEBRUARY 28, 2007**

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<hr/>			
ASSETS			
Current Assets:			
Cash	\$ 709,317	\$ 451,464	\$ 1,160,781
Investments	151,408	242,434	393,842
Accounts receivable	88,374	45,091	133,465
Inventory	2,408	-	2,408
Internal balances	50,013	(50,013)	-
Inter-fund loan	75,332	-	75,332
Capital assets, net	1,205,128	2,660,894	3,866,022
	<hr/>		
Total assets	2,281,980	3,349,870	5,631,850
	 <hr/>		
LIABILITIES			
Accounts payable	12,333	4,300	16,633
Accrued interest payable	8,737	15,079	23,816
Deferred revenue	7,600	-	7,600
Long-term liabilities:			
Due in one year:			
Long-term debt	22,520	60,000	82,520
Inter-fund loan	7,889	-	7,889
Due in more than one year:			
Long-term debt	296,977	1,450,000	1,746,977
Inter-fund loan	67,443	-	67,443
	<hr/>		
Total liabilities	423,499	1,529,379	1,952,878
	<hr/>		
NET ASSETS			
Invested in capital assets, net of related debt	810,299	1,150,894	1,961,193
Restricted for:			
Streets and sidewalks	260,851	-	262,549
Public safety	36,586	-	35,586
Debt service	15,349	188,734	204,273
Other	7,600	-	7,600
Unrestricted	727,796	480,863	1,208,659
	<hr/>		
Total net assets	\$ 1,858,481	\$ 1,820,491	\$ 3,678,972
	<hr/>		

See accompanying notes to financial statements.

**VILLAGE OF BELLAIRE
STATEMENT OF ACTIVITIES
YEAR ENDED FEBRUARY 28, 2007**

	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS & CONTRI- BUTIONS	CAPITAL GRANTS & CONTRI- BUTIONS	GOVERN- MENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTAL
GOVERNMENTAL ACTIVITIES							
General administration	\$ 220,584	\$ -	\$ -	\$ -	\$ (220,584)	\$ -	\$ (220,584)
Elections	-	-	-	-	-	-	-
Street and sidewalk maintenance	177,960	14,500	138,573	-	(24,887)	-	(24,887)
Village hall	43,535	-	-	-	(43,535)	-	(43,535)
Parks	117,970	17,102	-	12,400	(88,468)	-	(88,468)
Dam	2,975	18,320	-	-	15,345	-	15,345
Zoning	36,718	5,678	9,000	-	(22,040)	-	(22,040)
Law enforcement	171,803	4,907	2,768	-	(164,128)	-	(164,128)
Cemetery	24,178	6,550	15,530	-	(2,098)	-	(2,098)
Interest on long-term debt	15,838	-	-	-	(15,838)	-	(15,838)
Total governmental activities	811,561	67,057	165,871	12,400	(566,233)	-	(566,233)
BUSINESS-TYPE ACTIVITIES							
Sewer	297,537	258,794	-	-	-	(38,743)	(38,743)
Water	135,407	146,819	-	-	-	11,412	11,412
Interest on long-term debt	73,203	-	-	-	-	(73,203)	(73,203)
Total business-type activities	506,147	405,613	-	-	-	(100,534)	(100,534)
Total government	1,317,708	472,670	165,871	12,400	(566,233)	(100,534)	(666,767)
GENERAL REVENUES							
Property Taxes:							
Levied for General Purposes					345,077	-	284,495
Levied for Local Street Maintenance					93,159	-	72,290
Levied for Debt Service					-	93,166	72,290
Property Tax Administration Fee					5,313	-	4,287
State Shared Revenue (not restricted to specific purposes)					114,131	-	148,182
Refunds and Rebates					23,456	5,127	15,966
Investment Earnings					25,920	26,708	54,429
Miscellaneous					32,444	-	32,444
TRANSFERS					5,760	(5,760)	-
TOTAL GENERAL REVENUES AND TRANSFERS					645,260	119,241	764,501
CHANGE IN NET ASSETS					79,027	18,707	97,734
NET ASSETS - BEGINNING OF YEAR					1,779,454	1,801,784	3,581,238
NET ASSETS - END OF YEAR					\$ 1,858,481	\$ 1,820,491	\$ 3,678,972

See accompanying notes to financial statements.

**VILLAGE OF BELLAIRE
BALANCE SHEET
GOVERNMENTAL FUNDS
FEBRUARY 28, 2007**

	MAJOR GOVERNMENTAL FUNDS				NON-MAJOR GOVERN- MENTAL FUNDS	
	GENERAL	PUBLIC SAFETY	MAJOR STREET	LOCAL STREET		TOTAL
ASSETS						
Cash	\$ 389,370	\$ 22,500	\$ 76,316	\$ 89,251	\$ 36,844	\$ 614,281
Investments	-	14,286	20,863	28,483	87,776	151,408
Accounts receivable:						
Due from state	19,495	-	19,591	11,613	-	50,699
Due from county	-	-	14,500	-	-	14,500
Due from other governmental funds	13,067	-	-	-	-	13,067
Due from other funds	50,013	-	-	-	-	50,013
Lease and interest receivable	-	-	-	-	157,842	157,842
Other	6,464	-	-	312	9,867	16,643
Total assets	<u>\$ 478,409</u>	<u>\$ 36,786</u>	<u>\$ 131,270</u>	<u>\$ 129,659</u>	<u>\$ 292,329</u>	<u>\$ 1,068,453</u>
LIABILITIES AND FUND EQUITY						
Liabilities						
Accounts payable	\$ 7,371	\$ 200	\$ 24	\$ 54	\$ 8	\$ 7,657
Deferred revenue	-	-	-	-	7,600	7,600
Deferred lease and interest payments	-	-	-	-	157,842	157,842
Due to other governmental funds	-	-	-	-	13,067	13,067
Total liabilities	<u>7,371</u>	<u>200</u>	<u>24</u>	<u>54</u>	<u>178,517</u>	<u>186,166</u>
Fund Equity						
Fund balance:						
Undesignated and unreserved	471,038	-	-	-	106,212	577,250
Reserved for:						
Public safety	-	36,586	-	-	-	36,586
Streets and sidewalks	-	-	131,246	129,605	-	260,851
Other	-	-	-	-	7,600	7,600
Total fund equity	<u>471,038</u>	<u>36,586</u>	<u>131,246</u>	<u>129,605</u>	<u>113,812</u>	<u>882,287</u>
Total liabilities and fund equity	<u>\$ 478,409</u>	<u>\$ 36,786</u>	<u>\$ 131,270</u>	<u>\$ 129,659</u>	<u>\$ 292,329</u>	<u>\$ 1,068,453</u>

See accompanying notes to financial statements.

**VILLAGE OF BELLAIRE
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
FEBRUARY 28, 2007**

Total Fund Balance - Governmental Activities (Per Balance Sheet - Page 9)	\$ 882,287
Amounts reported for governmental activities in the Statement of Net Assets (page 7) are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not used in the funds	1,059,130
Receivables reported in the statement of activities that do not provide current financial resources are not reported as receivables in the governmental funds	6,532
Long-term liabilities, including bonds payable, and accrued interest are not due and payable in the current period and therefore are not reported in the funds	(319,497)
Accrued interest on long-term liabilities is not due and payable in the current period and is not reported in the funds	(8,737)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets	238,766
Total Net Assets - Governmental Activities (Per Statement of Net Assets - Page 7)	\$ 1,858,481

See accompanying notes to financial statements.

VILLAGE OF BELLAIRE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED FEBRUARY 28, 2007

	<u>MAJOR GOVERNMENTAL FUNDS</u>				<u>NON-MAJOR GOVERNMENTAL FUNDS</u>	
	<u>GENERAL</u>	<u>PUBLIC SAFETY</u>	<u>MAJOR STREET</u>	<u>LOCAL STREET</u>		<u>TOTAL</u>
REVENUES						
Taxes and assessments	\$ 345,077	\$ -	\$ -	\$ 93,159	\$ -	\$ 438,236
Federal grants	11,655	-	-	-	-	11,655
State grants	123,131	2,768	57,632	36,862	-	220,393
Local grants	-	-	-	-	21,398	21,398
Charges for services	38,355	4,907	14,500	-	6,550	64,312
Interest income	16,635	286	5,684	3,601	5,295	31,501
Other	34,561	4,842	1,402	2,604	18,320	61,729
Total revenues	569,414	12,803	79,218	136,226	51,563	849,224
EXPENDITURES						
General government	243,696	-	-	-	-	243,696
Parks	105,611	-	-	-	12,400	118,011
Zoning	36,718	-	-	-	-	36,718
Craven dam	1,475	-	-	-	1,500	2,975
Street maintenance	-	-	79,119	63,513	-	142,632
Public safety	-	171,803	-	-	9,700	181,503
Cemetery	-	-	-	-	24,178	24,178
Debt service:						
Principal	-	-	-	28,070	14,000	42,070
Interest	-	-	-	7,258	8,580	15,838
Total expenditures	387,500	171,803	79,119	98,841	70,358	807,621
Excess (deficiency) of revenues over expenditures	181,914	(159,000)	99	37,385	(18,795)	41,603
OTHER FINANCING SOURCES (USES)						
Transfers in	-	160,000	-	-	17,460	177,460
Transfers out	(171,700)	-	-	-	-	(171,700)
Total other financing sources (uses)	(171,700)	160,000	-	-	17,460	5,760
Excess (deficiency) of revenues and other sources over expenditures and other uses	10,214	1,000	99	37,385	(1,335)	47,363
Fund balance - beginning of year	460,824	35,586	131,147	92,220	115,147	834,924
Fund balance - end of year	\$ 471,038	\$ 36,586	\$ 131,246	\$ 129,605	\$ 113,812	\$ 882,287

See accompanying notes to financial statements.

VILLAGE OF BELLAIRE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED FEBRUARY 28, 2007

Net Change in Fund Balances - Total Governmental Funds - Page 11	\$ 47,363
Amounts reported for governmental activities in the statement of activities (page 8) are different because:	
Contributions from other governments is recorded in the statement of activities when earned; they are not reported in the funds until collected or collectible within 60 days of year-end	-
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives	-
Depreciation expense, recorded in the statement of activities but not the governmental fund financial statements	(67,294)
Internal service funds are used by management to charge the costs of equipment services to individual funds. Net revenue of the internal service fund is reported within governmental activities	50,284
Governmental funds do not report long-term debt; therefore, debt service payments are recorded as an expenditure. However, in the government-wide financial statements, long term debt is recorded and debt service payments are applied against the outstanding balances.	28,070
Some expenses/revenues reported in the statement of activities do not require the use of or contribute to current financial resources and are not reported in governmental funds. This includes accrued interest expense and deferred revenue.	20,604
Change in Net Assets - Governmental Activities - Per Statement of Activities (Page 8)	\$ 79,027

See accompanying notes to financial statements.

**VILLAGE OF BELLAIRE
STATEMENT OF FUND NET ASSETS
PROPRIETARY FUNDS
FEBRUARY 28, 2007**

	BUSINESS-TYPE ACTIVITIES - <u>ENTERPRISE FUNDS</u>			GOVERNMENTAL <u>ACTIVITIES</u> INTERNAL SERVICE FUND
	SEWER	WATER	TOTAL	
ASSETS				
Current assets:				
Cash	\$ 438,421	\$ 13,043	\$ 451,464	\$ 95,036
Investments	242,434	-	242,434	-
Due from other funds	28,830	-	28,830	-
Accounts receivable	31,723	13,368	45,091	-
Inventory	-	-	-	2,408
Total current assets	741,408	26,411	767,819	97,444
Noncurrent assets - Capital assets, net	2,230,817	430,077	2,660,894	145,998
Total assets	2,972,225	456,488	3,428,713	243,442
LIABILITIES				
Current liabilities:				
Accrued liabilities	15,079	-	15,079	-
Accounts payable	2,905	1,395	4,300	4,676
Due to other governmental funds	50,013	28,830	78,843	-
Current portion of bonds payable	60,000	-	60,000	-
Total current liabilities	127,997	30,225	158,222	4,676
Noncurrent liabilities:				
Bonds payable, net of current portion	1,450,000	-	1,450,000	-
Total liabilities	1,577,997	30,225	1,608,222	4,676
NET ASSETS				
Invested in capital assets, net of related debt	720,817	430,077	1,150,894	-
Restricted for debt service	188,734	-	188,734	-
Unrestricted	484,677	(3,814)	480,863	238,766
Total net assets	\$ 1,394,228	\$ 426,263	\$ 1,820,491	\$ 238,766

See accompanying notes to financial statements.

VILLAGE OF BELLAIRE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED FEBRUARY 28, 2007

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUND
	SEWER	WATER	TOTAL	
Operating revenues				
Charges for services	\$ 258,794	\$ 146,819	\$ 405,613	\$ 111,331
Taxes and assessments	93,166	-	93,166	-
State grants	-	-	-	-
Other	5,052	75	5,127	-
Total operating revenues	357,012	146,894	503,906	111,331
Operating expenses				
Wages and fringe benefits	114,190	68,721	182,911	36,175
Contractual services	-	4,135	4,135	-
Insurance	4,724	1,287	6,011	15,016
Equipment rental	9,718	16,676	26,394	-
Supplies	15,858	1,857	17,715	15,870
Repairs and maintenance	8,526	7,354	15,880	21,223
Utilities	24,147	14,831	38,978	8,110
Depreciation	116,217	16,600	132,817	46,871
Miscellaneous	4,157	3,946	8,103	18,350
Total operating expenses	297,537	135,407	432,944	161,615
Operating income	59,475	11,487	70,962	(50,284)
Non-operating revenues (expenses)				
Interest income	26,708	-	26,708	-
Interest expense	(73,203)	-	(73,203)	-
Income - before other financing sources (uses)	(12,980)	(11,487)	(24,467)	50,284
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-	(5,760)	(5,760)	-
Total other financing sources (uses)	-	(5,760)	(5,760)	-
Change in net assets	12,980	5,727	18,707	(50,284)
Total net assets - beginning of year	1,381,248	420,536	1,801,784	289,086
Total net assets - end of year	\$ 1,394,228	\$ 426,263	\$ 1,820,491	\$ 238,802

See accompanying notes to financial statements.

**VILLAGE OF BELLAIRE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED FEBRUARY 28, 2007**

	Enterprise Funds			INTERNAL SERVICE FUND
	SEWER	WATER	TOTAL	
Cash flows from operating activities:				
Cash received from customers	\$ 258,794	\$ 146,485	\$ 405,279	\$ 111,331
Cash received from property tax levy	93,166	-	93,166	-
Cash payments to suppliers for goods and services	(48,339)	(30,006)	(78,345)	(36,175)
Cash payments to employees and professional contractors for services	(114,190)	(72,856)	(187,046)	(70,537)
Payments for internal services	(9,718)	(16,676)	(26,394)	-
Internal services - receipts from other funds	-	(5,760)	(5,760)	-
Other operating revenues	5,052	75	5,127	-
Net cash provided by operating activities	<u>184,765</u>	<u>21,262</u>	<u>206,027</u>	<u>4,619</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(12,908)	(110,530)	(123,438)	-
Principal paid on bonds	(60,000)	-	(60,000)	-
Interest paid on bonds	(73,718)	-	(73,718)	-
Net cash used in capital and related financing activities	<u>(146,626)</u>	<u>(110,530)</u>	<u>(257,156)</u>	<u>-</u>
Cash flows from investing activities:				
Purchase of investments	(133,703)	-	(133,703)	-
Proceeds from the sale of investments	-	-	-	-
Investment income	26,708	-	26,708	-
Net cash provided by investing activities	<u>(106,995)</u>	<u>-</u>	<u>(106,995)</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(68,856)	(89,268)	(158,124)	4,619
Cash and cash equivalents - beginning of year	507,277	102,311	609,588	90,417
Cash and cash equivalents - end of year	<u>\$ 438,421</u>	<u>\$ 13,043</u>	<u>\$ 451,464</u>	<u>\$ 95,036</u>
Reconciliation of operating income (loss) to net cash from operating activities:				
Operating income (loss)	\$ 59,475	\$ 11,487	\$ 70,962	\$ (50,284)
Adjustments to reconcile operating income (loss) to net cash from operating activities				
Depreciation expense	116,217	16,600	132,817	46,871
Changes in assets and liabilities:				
Receivables	-	(334)	(334)	7,989
Due from / to other funds	9,011	(5,760)	3,251	104
Inventory	-	-	-	-
Accounts payable	515	(731)	(216)	(61)
Accrued liabilities	(453)	-	(453)	-
Net cash provided by operating activities	<u>\$ 184,765</u>	<u>\$ 21,262</u>	<u>\$ 206,027</u>	<u>\$ 4,619</u>

See accompanying notes to financial statements

**VILLAGE OF BELLAIRE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED FEBRUARY 28, 2007**

NOTE 1: ENTITY

The Village of Bellaire is a General Law Village of the State of Michigan organized in 1879, located in Antrim County, Michigan. Its physical boundaries incorporate parts of Forest Home and Kearney Townships.

The criteria for determining the various governmental functions to be included in the reporting entity's financial statements include oversight responsibility, scope of public service, and special financing relationships. On this basis, the financial statements include all of the governmental functions of the Village of Bellaire.

BELLAIRE DISTRICT FIRE DEPARTMENT

These statements do not include activities of the Bellaire District Fire Department since the Village has no financial or oversight responsibility.

BELLAIRE BUILDING AUTHORITY

In June 2001, the Bellaire Building Authority was created under the provisions of Public Act 31 of 1948. The purpose of the Authority is to provide for the acquisition and construction of certain public buildings, parking lots or structures, recreational facilities, stadiums and the necessary site or sites for the use of the Village of Bellaire. Although it is legally separate from the Village, the Building Authority is reported as if it were a part of the primary government because its sole purpose is to serve the Village of Bellaire.

The financial activity of the Building Authority is reported in a capital projects and debt service fund within the Village's financial statements. The Building Authority is also audited under separate cover, and the financial statements are located at the Village offices.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

INTRODUCTION

The accounting and reporting framework and the more significant accounting principles and practices of the Village of Bellaire are discussed in subsequent sections of this Note. The remaining notes are organized to provide explanations including required disclosures of the Village's financial activities.

The accounting policies of the Village of Bellaire conform to the generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

**VILLAGE OF BELLAIRE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED FEBRUARY 28, 2007**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT PRESENTATION

Government-Wide Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the Village as a whole, excluding fiduciary activities such as cemetery perpetual care activities. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and Village general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with functional programs. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Village's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds. The measurement focus and basis of accounting for the government-wide and fund financial statements are described in a subsequent section of this note.

FUND TYPES AND MAJOR FUNDS

Governmental Funds

The Village reports the following major governmental funds:

General Fund - This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants and other inter-governmental revenues.

**VILLAGE OF BELLAIRE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED FEBRUARY 28, 2007**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUND TYPES AND MAJOR FUNDS (CONTINUED)

Public Safety Fund – This fund is used to account for all financial transactions of the Village's police department. The activities of the police department are financed primarily by transfers of resources from the General Fund.

Major Street Fund – This fund is used to account for all financial transactions related to the Village's "major" (state-owned) streets. Revenues are derived primarily from state grants.

Local Street Fund – This fund is used to account for all financial transactions related to the Village's local streets. Revenues are derived primarily from property taxes and state grants.

The Village reports, in total, the following non-major funds:

Cemetery and Soccer Park special revenue funds, and Bellaire Building Authority and Water Upgrade debt service funds.

Proprietary Funds

Enterprise Funds - Enterprise funds report operations that provide services which are financed primarily by user charges, or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control or other purposes. Water and sewer funds are reported in this category.

The Village reports the following major enterprise funds:

Proprietary Funds

Water Fund – This fund is used to account for all financial transactions of the Village's Water Utility services. Revenues are derived primarily from user charges.

Sewer Fund - This fund is used to account for all financial transactions of the Village's Sewer Utility services. Revenues are derived primarily from user charges.

Other Funds

Internal Service Funds – account for equipment provided by one department to other departments within the Village on a cost-reimbursement basis. These are proprietary funds reported with governmental activities in the government-wide statements. The Village's motor pool fund is an internal service fund.

**VILLAGE OF BELLAIRE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED FEBRUARY 28, 2007**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The financial statements of the Village are prepared in accordance with generally accepted accounting principles (GAAP). The Village applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Village does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

Government-Wide Financial Statements

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include utility services provided to Village departments.

Proprietary and fiduciary fund financial statements also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental Fund Financial Statements

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Village considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: sales and use taxes, property taxes, franchise taxes (fees), intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

**VILLAGE OF BELLAIRE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED FEBRUARY 28, 2007**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

Property tax revenues are recognized as follows:

Properties are assessed as of December 31 and the related property taxes become a lien on July 1 of the following year. These taxes are due on September 15; uncollected amounts are subsequently added to the county delinquent tax rolls. In accordance with GASB 33 "Accounting and Financial Reporting for Nonexchange Transactions", the Village records the property tax revenue on the lien date when it becomes an enforceable legal claim for the Village. Therefore, all taxes levied on July 1, 2005, are recorded as revenue in the current year.

Property taxes were levied as follows for the year ended February 28, 2007:

General	11.1369 mills
Local Street	3.0000 mills
Sewer G.O. Bond	3.0000 mills

Proprietary Fund Financial Statements

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

BUDGETS

Public Act 621 of 1978 as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated.

The approved budgets of the Village for budgetary funds were adopted on a fund level using the modified accrual basis. Budgets are normally formulated during December and January of each year and a budget hearing is held in February.

The council normally adopts the budget just prior to March 1. Amendments are made to the budgets when determined to be necessary throughout the year. We noted no overexpenditures during the year.

Budgets are not required for the proprietary, fiduciary, and debt service fund types.

**VILLAGE OF BELLAIRE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED FEBRUARY 28, 2007**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

USE OF ESTIMATES

The financial statements have been prepared in conformity with generally accepted accounting principles as applicable to governments and, as much, include amounts based on informed estimates and judgments of management with consideration given to materiality. Actual results could differ from those estimates.

INVENTORY

Inventory for street materials have been recorded at cost.

CAPITAL ASSETS AND DEPRECIATION

The Villages property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. The Village maintains infrastructure asset records consistent with all other capital assets. Proprietary capital assets are also reported in the respective fund financial statements. Donated assets are stated at fair value on the date donated. The Village generally capitalizes assets with historical cost of \$1,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	5 – 50
Improvements, other than buildings	2 – 50
Mobile equipment	3 – 30
Furniture, machinery, and equipment	3 – 30

For information describing capital assets, see Note 6.

**LONG-TERM DEBT, DEFERRED DEBT EXPENSE, AND BOND
DISCOUNTS/PREMIUMS**

In the government-wide and proprietary financial statements, outstanding debt is reported as liabilities. Bond issuance costs, bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effect of interest method. The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

**VILLAGE OF BELLAIRE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED FEBRUARY 28, 2007**

NOTE 3: CASH AND INVESTMENTS

The Village of Bellaire uses a common banking account to pool various cash funds and enhance investment earnings. The various fund's equity at February 28, 2007 are as follows:

	<u>Common Checking</u>
General Fund	\$ 402,378
Water Fund	16,104
Motor Pool Internal Service Fund	95,036
Public Safety Fund	13,269
	<u>\$ 526,787</u>

Interfund borrowings are common and normally short-term in nature. Certificates of deposit are cashed when necessary to eliminate negative balances.

Cash consists of bank accounts or securities with original maturities of 90 days or less.

All cash deposits are maintained in financial institutions in the Bellaire, Michigan area. The Village's pooled and non-pooled deposits are categorized to give an indication of the level of risk assumed by the Village at fiscal year-end. The categories are described as follows:

Category 1 - Insured or collateralized with securities held by the Village or by its agent in the Village's name.

Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the Village's name.

Category 3 - Uncollateralized.

VILLAGE OF BELLAIRE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED FEBRUARY 28, 2007

NOTE 3: CASH AND INVESTMENTS (CONTINUED)

	BANK BALANCE	1	CATEGORY 2	3	CARRYING AMOUNT
Pooled Deposits	\$ 557,920	\$ 100,000	\$ -	\$ 457,920	\$ 529,848
Local Street	149,257	-	-	149,257	89,251
Major Street	76,316	-	-	76,316	76,316
Sewer	653,578	-	-	653,578	249,687
Sewer-Bond Red.	188,734	-	-	188,734	188,734
Cemetery	42,887	-	-	42,887	12,812
Building Authority	1,049	1,049	-	-	1,049
04 Water Upgrade	14,300	-	-	14,300	14,300
Soccer Park	8,683	-	-	8,683	8,683
Petty Cash	-	-	-	-	100
Total Cash Deposits	<u>\$ 1,692,724</u>	<u>\$ 101,049</u>	<u>\$ -</u>	<u>\$ 1,591,675</u>	<u>\$ 1,170,780</u>

The Governmental Accounting Standards Board Statement No. 3 risk disclosures for the Village's investments are as follows:

- (1) Insured or securities held by the Village or the Village's agent in the Village's name.
- (2) Uninsured with securities held by the counter party's trust department or its agent in the Village's name.
- (3) Uninsured with securities held by the counter party's trust department or agent but not in the Village's name.

Investments are stated at cost, which approximates fair market value. Investments consist of securities with original maturities in excess of 90 days. Balances at February 28, 2007, consist of the following:

	1	CATEGORY 2	3	CARRYING AMOUNT
Sewer	\$ -	\$ 242,434	\$ -	\$ 242,434
Local Street	-	28,483	-	28,483
Law Enforcement	-	14,286	-	14,286
Cemetery	-	87,776	-	87,776
Major Street	-	20,863	-	20,863
Total Investments	<u>\$ -</u>	<u>\$ 393,842</u>	<u>\$ -</u>	<u>\$ 393,842</u>

The Village's investing is performed in accordance with investment policies complying with state statutes.

**VILLAGE OF BELLAIRE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED FEBRUARY 28, 2007**

NOTE 4: RECEIVABLES

Governmental Funds - Accounts receivable at February 28, 2007 consist of the following:

County Reimbursements	-	14,500	-	-
Other	6,464	-	312	9,867
	<u>\$ 25,959</u>	<u>\$ 34,091</u>	<u>\$ 11,925</u>	<u>\$ 9,867</u>

Proprietary funds - Accounts receivable at February 28, 2007, in the Enterprise funds consist of the following:

	<u>SEWER</u>	<u>WATER</u>
Unbilled usage 1/15 - 2/15	\$ 18,229	\$ 9,465
Unbilled usage 2/16 - 2/28	13,494	3,903
	<u>\$ 31,723</u>	<u>\$ 13,368</u>

Management considers all receivables to be fully collectible.

NOTE 5: DUE TO / FROM OTHER FUNDS

The amount of short-term governmental interfund receivables and payable are as follows:

<u>FUND</u>	<u>INTERFUND RECEIVABLE</u>	<u>FUND</u>	<u>INTERFUND PAYABLE</u>
General	\$ 13,067	Cemetery	\$ 13,067
Sewer	28,830	Water	28,830
	<u>\$ 41,897</u>		<u>\$ 41,897</u>

These Interfund receivables are short-term in nature and no interest is charged on the above amounts.

GASB 34 requires that all short-term interfund receivables and payables are eliminated within each activity type for purposes of the government-wide financial statements. Therefore, the only short-term due to/due from balances presented on the Statement of Net Assets is the due to / from between the governmental and business-type activities as follows: \$50,013 due to the general fund from the sewer fund.

**VILLAGE OF BELLAIRE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED FEBRUARY 28, 2007**

NOTE 5: DUE TO / FROM OTHER FUNDS (CONTINUED)

The amount of long-term interfund receivables and payables are as follows:

<u>FUND</u>	<u>INTERFUND RECEIVABLE</u>	<u>FUND</u>	<u>INTERFUND PAYABLE</u>
General	<u>\$ 75,332</u>	Local Street	<u>\$ 75,332</u>

The long-term receivable and payable is the result of two inter-fund loans from the General Fund to Local Streets. The loans are repayable as follows:

<u>DATE OF ISSUE</u>	<u>AMOUNT OF ISSUE</u>	<u>INTEREST RATE</u>	<u>DATE OF MATURITY</u>	<u>ANNUAL PRINCIPAL PAYABLE</u>	<u>ANNUAL INTEREST PAYABLE</u>
7/1/2004	\$ 40,000	5.00%	7/1/2007	3,506	1,674
			7/1/2008	3,681	1,499
			7/1/2009	3,866	1,315
			7/1/2010	4,059	1,121
			7/1/2011 - 7/1/2014	18,368	2,352
				<u>33,480</u>	<u>7,961</u>

<u>DATE OF ISSUE</u>	<u>AMOUNT OF ISSUE</u>	<u>INTEREST RATE</u>	<u>DATE OF MATURITY</u>	<u>ANNUAL PRINCIPAL PAYABLE</u>	<u>ANNUAL INTEREST PAYABLE</u>
10/1/2004	\$ 50,000	5.00%	10/1/2007	4,383	2,093
			10/1/2008	4,602	1,873
			10/1/2009	4,832	1,643
			10/1/2010	5,074	1,402
			10/1/2011 - 10/1/2014	22,960	2,940
				<u>\$ 41,851</u>	<u>\$ 9,951</u>

NOTE 6: LEASE AND INTEREST RECEIVABLE / DEFERRED LEASE AND INTEREST PAYMENTS

During the fiscal year ended February 28, 2003, the Village entered into a leasing agreement with the Bellaire Building Authority whereby the Village will make annual lease payments to the Authority in the amount of the debt service requirements for the Craven Dam bonds described in Note 9.

In the fund financial statements, which uses the modified accrual basis of accounting, the lease and interest receivable is recorded as an asset with a balance of \$157,842 at the fiscal year-end, offset by a deferred lease and interest payment balance of the same amount. In the government-wide Statement of Net Assets, the lease and interest receivable and the deferred lease and interest payments are eliminated.

VILLAGE OF BELLAIRE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED FEBRUARY 28, 2007

NOTE 7: CAPITAL ASSETS

Capital asset activity of the Village's governmental and business-type activities was as follows:

	Balance March 1, 2006	Additions	Disposals	Balance February 28, 2007
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 422,967	\$ -	\$ -	\$ 422,967
Construction in process	-	-	-	-
Subtotal	422,967	-	-	422,967
Capital assets being depreciated:				
Buildings	517,717	-	-	517,717
Land Improvements	94,652	-	-	94,652
Furniture and fixtures	316,724	-	-	316,724
Machinery and equipment	571,585	-	-	571,585
Infrastructure	143,301	-	-	143,301
Subtotal	1,643,979	-	-	1,643,979
Accumulated depreciation:				
Buildings	225,191	13,161	-	238,352
Land Improvements	5,504	4,770	-	10,274
Furniture and fixtures	167,695	16,331	-	184,026
Machinery and equipment	386,046	26,765	-	412,811
Infrastructure	10,089	6,266	-	16,355
Subtotal	794,525	67,293	-	861,818
Net capital assets being depreciated	849,454	(67,293)	-	782,161
Net capital assets	\$ 1,272,421	\$ (67,293)	\$ -	\$ 1,205,128
 Capital assets not being depreciated:				
Land	\$ 51,500	\$ -	\$ -	\$ 51,500
 Capital assets being depreciated -				
Machinery and equipment:				
Sewer	40,764	13,195	-	53,959
Water	28,285	-	-	28,285
Utility Systems:				
Sewer	3,710,952	-	-	3,710,952
Water	529,940	110,530	-	640,470
Subtotal	4,361,441	123,725	-	4,485,166
Accumulated depreciation -				
Sewer	1,469,376	116,217	-	1,585,593
Water	222,079	16,600	-	238,679
Subtotal	1,691,455	132,817	-	1,824,272
Net capital assets	\$ 2,669,986	\$ (9,092)	\$ -	\$ 2,660,894

**VILLAGE OF BELLAIRE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED FEBRUARY 28, 2007**

NOTE 7: CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions of the Village as follows:

Governmental Activities		Business-type Activities	
Village Administration	\$ 4,230	Water Utilities	\$ 16,600
Parks	6,383	Sewer Utilities	<u>116,217</u>
Dam	185	Total	<u>\$ 132,817</u>
Streets and Sidewalks	3,800		
Law Enforcement	5,422		
Cemetery	403		
Allocated Internal Service Fund	<u>46,841</u>		
Total	<u>\$ 67,264</u>		

NOTE 8: DEFERRED REVENUE

The Village has deferred revenue in the amount of \$7,600 related to unspent grant monies as of February 28, 2007 as follows:

Traverse City Rotary Club Soccer Park Grant	\$ 10,000
Bellaire Rotary Club Soccer Park Grant	<u>10,000</u>
	20,000
Less amount expended	<u>12,400</u>
Amount deferred	<u>\$ 7,600</u>

VILLAGE OF BELLAIRE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED FEBRUARY 28, 2007

NOTE 9: LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended February 28, 2007:

Description and Purpose	Balance March 1, 2006	Issued	Retired	Balance February 28, 2007	Due Within One Year
<i>Governmental Activities</i>					
Major Governmental Funds					
Installment Loan	\$ 134,497	\$ -	\$ -	\$ 134,497	\$ 8,520
Non-major Governmental Fund					
Craven Dam Bond	155,000	-	10,000	145,000	10,000
Capital Improvement Bond	44,000	-	4,000	40,000	4,000
Total	333,497	-	14,000	319,497	22,520
<i>Business-type Activities</i>					
Major Enterprise Fund					
Sewer Revenue Bonds	685,000	-	35,000	650,000	35,000
Sewer G.O. Bonds	885,000	-	25,000	860,000	25,000
Total	1,570,000	-	60,000	1,510,000	60,000
Total Primary Government Long-term Debt	\$ 1,903,497	\$ -	\$ 74,000	\$ 1,829,497	\$82,520

Long-term debt as of February 28, 2007 consists of the following:

LOCAL STREET INSTALLMENT LOAN

DATE OF ISSUE	AMOUNT OF ISSUE	INTEREST RATE	DATE OF MATURITY	ANNUAL PRINCIPAL PAYABLE	ANNUAL INTEREST PAYABLE
12/3/2003	\$ 159,000	5.25%	9/15/2007	8,520	7,059
			9/15/2008	8,949	6,630
			9/15/2009	9,437	6,142
			9/15/2010	9,932	5,646
			9/15/2011 - 9/15/2015	58,037	17,103
			9/15/2016 - 9/15/2020	39,622	6,826
				<u>\$ 134,497</u>	<u>\$ 49,406</u>

Purpose of the Issue:

To defray the cost of purchasing a plot of land within the Village limits.

**VILLAGE OF BELLAIRE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED FEBRUARY 28, 2007**

NOTE 9: LONG-TERM DEBT (CONTINUED)

***LIMITED FULL FAITH AND CREDIT GENERAL OBLIGATION CONTRACT OF
LEASE – CRAVEN DAM PROJECT***

DATE OF ISSUE	AMOUNT OF ISSUE	INTEREST RATE	DATE OF MATURITY	ANNUAL PRINCIPAL PAYABLE	ANNUAL INTEREST PAYABLE
10/17/2001	\$ 190,000	4.40%	10/1/2007	10,000	6,380
			10/1/2008	10,000	5,940
			10/1/2009	10,000	5,500
			10/1/2010	15,000	5,060
			10/1/2011 - 10/1/2015	80,000	15,400
			10/1/2016 - 10/1/2020	20,000	880
				<u>\$ 145,000</u>	<u>\$ 39,160</u>

Purpose of the Issue:

Defraying part of the cost of major repairs to Craven Dam. The debt was issued to the Bellaire Building Authority and the Village of Bellaire.

GENERAL FUND CAPITAL IMPROVEMENT BONDS

DATE OF ISSUE	AMOUNT OF ISSUE	INTEREST RATE	DATE OF MATURITY	ANNUAL PRINCIPAL PAYABLE	ANNUAL INTEREST PAYABLE
12/28/2004	\$ 48,000	4.00%	1/1/2008	4,000	1,600
			1/1/2009	4,000	1,440
			1/1/2010	5,000	1,280
			1/1/2011	5,000	1,080
			1/1/2012 - 1/1/2016	22,000	2,280
				<u>40,000</u>	<u>7,680</u>

Purpose of the Issue:

Upgrade various components of the Village's water line system to accommodate future development.

**VILLAGE OF BELLAIRE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED FEBRUARY 28, 2007**

NOTE 9: LONG-TERM DEBT (CONTINUED)

***SANITARY SEWAGE DISPOSAL SYSTEM REVENUE AND REVENUE
REFUNDING BONDS, SERIES 1999***

DATE OF ISSUE	AMOUNT OF ISSUE	INTEREST RATE	DATE OF MATURITY	ANNUAL PRINCIPAL PAYABLE	ANNUAL INTEREST PAYABLE
11/16/1999	\$ 865,000	4.60%	1/1/2008	35,000	32,418
		4.65%	1/1/2009	40,000	30,790
		4.70%	1/1/2010	40,000	28,910
		4.75%	1/1/2011	40,000	27,010
		4.80 - 5.00%	1/1/2012 - 1/1/2016	245,000	102,655
		5.05 - 5.25%	1/1/2017 - 1/1/2021	250,000	33,825
				<u>\$ 650,000</u>	<u>\$ 255,608</u>

Purpose of the Issue:

Defraying part of the cost of acquiring and constructing additions, extensions and improvements to the Village's sanitary sewage disposal system and to provide cash for the refunding of the Village's Sanitary Sewage Disposal System Revenue Bonds, Series 1972 and 1972B.

The bonds are payable solely and only from the net revenues of the sewer system. The Village has covenanted and agreed to fix and maintain at all times, while the bonds are still outstanding, such rates for services furnished by the sewer system that will be sufficient to provide for payment of the necessary expenses of operation, maintenance and administration of the sewer system, of the principal and interest on all of said bonds when due, to create and maintain a bond reserve account, and to provide for other such expenditures and funds for the sewer system as required. The Village has covenanted to charge and collect sufficient rates and charges each year so as to produce net revenues equal to at least 110% of annual debt service on the bonds.

**VILLAGE OF BELLAIRE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED FEBRUARY 28, 2007**

NOTE 9: LONG-TERM DEBT (CONTINUED)

***GENERAL OBLIGATION UNLIMITED TAX WASTEWATER REFUNDING BONDS
1998***

DATE OF ISSUE	AMOUNT OF ISSUE	INTEREST RATE	DATE OF MATURITY	ANNUAL PRINCIPAL PAYABLE	ANNUAL INTEREST PAYABLE
12/31/1998	\$ 1,065,000	4.00%	12/1/2007	35,000	38,703
		4.10%	12/1/2008	35,000	37,303
		4.15%	12/1/2009	35,000	35,868
		4.20%	12/1/2010	35,000	34,415
		4.20 - 4.40%	12/1/2011 - 12/1/2015	205,000	147,295
		4.45 - 4.60%	12/1/2016 - 12/1/2020	200,000	101,945
		4.65 - 4.70%	12/1/2021 - 12/1/2025	230,000	52,335
		4.70 - 4.80%	12/1/2026 - 12/1/2030	85,000	5,978
				<u>\$ 860,000</u>	<u>\$ 453,842</u>

This issue refinanced the General Obligation Wastewater System Improvement Series 1988. The bond is backed by the full faith and credit of the Village and is an unlimited tax general obligation bond.

Purpose of the Issue:

Paying part of the cost of making improvements to the sanitary sewer system of the Village consisting generally of a new treatments plant and discharge facilities together with lines, pumps and storage improvements and all related appurtenances.

As of February 28, 2007, the Village is in compliance with all material covenants.

INTEREST ON LONG-TERM DEBT

GASB Statement No. 34 requires interest to be accrued for the long-term debt of governmental activities for the purposes of the government-wide financial statements. Proprietary funds have always recorded accrued interest, as they are governed by FASB guidelines. The government-wide financial statements include the following accrued interest balances at February 28, 2007:

	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES
Accrued Interest	<u>\$ 8,737</u>	<u>\$ 15,079</u>

The fund financial statements do not recognize accrued interest for governmental activities.

**VILLAGE OF BELLAIRE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED FEBRUARY 28, 2007**

NOTE 10: DESIGNATED/RESERVED/RESTRICTED FUND BALANCE/NET ASSETS

RESERVED/RESTRICTED FUND BALANCE

The sewer fund has reserved/restricted fund balance/net assets for sewer improvement G.O. Bonds.	188,734
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The Building Authority debt service fund has reserved/restricted fund balance/net assets for the Craven Dam Project G.O. Bonds.	1,049
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The 2004 Water Upgrade debt service fund has reserved/restricted fund balance/net assets for the Water Upgrade Project Bonds	14,300
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The fund balance of local street and major street funds are reserved for future street and sidewalk repairs and construction	260,851
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The fund balance of the public safety fund is reserved for future public safety use	36,586
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The soccer fund has reserved/restricted fund balance/net assets related to unspent grant monies.	7,600
	<u>\$ 509,120</u>

DESIGNATED FUND BALANCE

The designated amount is retained for cemetery perpetual care.	<u>\$ 97,380</u>
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NOTE 11: PENSION PLAN

The Village of Bellaire contributes to the Village of Bellaire Pension Plan, which is a defined contribution pension plan.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amounts of benefits the individual is to receive. Under the Village's defined contribution pension plan, the benefits a participant will receive depends on the amount contributed to the participant's account and the returns earned on investments of those contributions.

Upon the date of hire, all full time employees are eligible to participate in the plan. Contributions made by both the Village and employees vest immediately. The participant will receive benefits at age 55 or the tenth anniversary of the date the participant commenced participation of the plan if later. There is no provision for early retirement.

The plan requires the Village to contribute 10% of the eligible employees wages. Additionally, each participant may make a contribution up to 10% of their salary.

VILLAGE OF BELLAIRE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED FEBRUARY 28, 2007

NOTE 11: PENSION PLAN (CONTINUED)

During the year the Village contributed \$22,950 to the plan, which was 10% of its current year covered payroll. No pension provision changes occurred during the year that affected the required contributions to be made by the Village or its employees.

NOTE 12: SEGMENT INFORMATION - ENTERPRISE FUNDS

The water fund and sewer fund provide water and sewer services to Village residents and businesses. A synopsis of pertinent financial data is as follows:

Operating Revenue	\$ 146,819	\$ 357,012
Operating Expense	135,407	297,537
Depreciation	16,600	116,217
Operating Income (Loss)	11,487	59,475
Operating Transfers In/Out	-	-
Increase (Decrease) in Net Assets	11,487	59,475
Additions to Fixed Assets	110,530	13,195
Net Working Capital	(3,814)	613,411
Total Assets	456,488	2,972,225
Bonded Debt	-	1,510,000
Total Equity	426,263	1,394,228

NOTE 13: INSURANCE COVERAGES

The Village is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; error and omission; injuries to employees; and natural disasters. The Village participated in the Michigan Municipal Liability and Property Pool, a self-insured group. The pool is considered a public entity risk pool. The Village pays annual premiums to the pool for the respective insurance coverage. In the event a pool's total claims and expense for a policy year exceed the total normal annual premiums for said years, all members of the pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims generally in excess of \$500,000 for each occurrence with the overall maximum coverage varying depending on the specific type coverage of reinsurance. The Village has not been informed of any special assessments being required. There were no significant changes in coverage, nor were there any significant claims for the year. The Village carries commercial insurance for other potential losses, including employee health and accident insurance.

**VILLAGE OF BELLAIRE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED FEBRUARY 28, 2007**

NOTE 14: COMPARATIVE DATA

Comparative total data for the prior year has been presented in the financial statements in order to provide an understanding of the changes in the Village's financial operations. However, comparative data has not been presented in each of the statements.

NOTE 15: CONTINGENCIES

GRANTS

The Village and the Bellaire Building Authority have received grant monies from federal, state, and local sources. Grant monies are subject to audit by the grantor. Upon audit, some expenditures may be disallowed and as a result, those amounts may be refundable. Such refunds, if any, are generally payable from the Village's unrestricted fund balance. The Village feels that any potential disallowances, if any, are immaterial.

VILLAGE OF BELLAIRE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - WITH
COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED FEBRUARY 28, 2006
GENERAL FUND
YEAR ENDED FEBRUARY 28, 2007

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET	PRIOR YEAR ACTUAL
REVENUES					
Taxes and assessments	\$ 332,000	\$ 332,000	\$ 345,077	\$ 13,077	\$ 332,438
State Shared Revenue	115,000	115,000	114,131	(869)	114,566
Local grants	4,000	4,000	-	(4,000)	32,057
Charges for Services:					
Permits and Fees	4,450	4,450	5,678	1,228	3,404
Property Tax Administration	5,100	5,100	5,313	213	5,092
Park Fees	-	-	16,835	16,835	14,093
Franchise Fees	-	-	-	-	-
Interest income	10,000	10,000	16,635	6,635	16,596
Miscellaneous income	22,655	22,655	46,216	23,561	18,995
Total Revenues	493,205	493,205	549,885	56,680	537,241
EXPENDITURES					
GENERAL GOVERNMENT					
Village Council:					
Wages	16,000	16,000	15,725	275	13,455
Fringe Benefits	1,224	1,224	1,203	21	1,029
Office Supplies	-	-	-	-	10
Travel & Transportation	800	800	-	800	-
Total Village Council	18,024	18,024	16,928	1,096	14,494
General Administration:					
Wages	64,800	64,800	61,082	3,718	24,010
Fringe Benefits	52,500	52,500	39,753	12,747	15,558
Office Supplies	8,590	8,590	9,276	(686)	4,540
Communications	2,500	2,500	2,763	(263)	2,808
Rent	18,220	18,220	18,320	(100)	18,610
Tree Trimming	-	-	-	-	4,552
Equipment Rental	11,800	11,800	12,328	(528)	11,101
Professional Fees	6,895	6,895	13,680	(6,785)	9,120
Printing	1,000	1,000	1,429	(429)	696
Repair and Maintenance	1,000	1,000	239	761	267
Tax Roll	1,000	1,000	1,071	(71)	874
Insurance and Bonds	2,600	2,600	2,226	374	2,589
Dues and Subscriptions	1,500	1,500	1,490	10	1,144
Education and Training	1,000	1,000	476	524	498
Retirement-Pension	12,000	12,000	-	12,000	-
Miscellaneous Expense	19,210	19,210	18,224	986	2,399
Capital Outlay	500	500	131	369	-
Total General Administration	205,115	205,115	182,488	22,627	98,766
Election:					
Wages and Benefits	-	-	-	-	840
Supplies and Other	-	-	-	-	578
Total Election	\$ -	\$ -	\$ -	\$ -	\$ 1,418

VILLAGE OF BELLAIRE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - WITH
COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED FEBRUARY 28, 2006
GENERAL FUND
YEAR ENDED FEBRUARY 28, 2007

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET	PRIOR YEAR ACTUAL
GENERAL GOVERNMENT					
(CONTINUED):					
Building and Grounds:					
Wages	\$ 2,550	\$ 2,550	\$ 2,201	\$ 349	\$ 2,340
Fringe Benefits	160	160	1,416	(1,256)	11,553
Repairs and Maintenance	5,205	5,205	10,402	(5,197)	21,021
Insurance	650	650	762	(112)	620
Utilities	5,800	5,800	8,010	(2,210)	5,518
Street Lights	19,700	19,700	20,126	(426)	18,391
Sidewalks	-	-	-	-	-
Miscellaneous Expense	1,650	1,650	1,363	287	1,094
Recycling	-	-	-	-	-
Capital Outlay	3,500	3,500	-	3,500	5,939
Total Building and Grounds	39,215	39,215	44,280	(5,065)	66,476
Total General Government	262,354	262,354	243,696	18,658	181,154
RECREATION AND CULTURE:					
Parks and Playgrounds:					
Wages	41,000	41,000	28,342	12,658	18,627
Fringes	16,000	16,000	17,969	(1,969)	12,247
Communications	650	650	726	(76)	757
Contractual Services	500	500	852	(352)	11,882
Insurance	3,100	3,100	3,007	93	2,912
Utilities	9,775	9,775	9,517	258	8,680
Repairs and Maintenance	10,000	10,000	18,207	(8,207)	24,121
Equipment Rental	12,000	12,000	23,146	(11,146)	12,101
Miscellaneous	1,650	1,650	1,364	286	1,304
Capital Outlay	6,581	6,581	2,481	4,100	14,465
Total Parks and Playgrounds	101,256	101,256	105,611	(4,355)	107,096
PUBLIC WORKS:					
Craven Dam:					
Wages	500	500	627	(127)	476
Fringe Benefits	40	40	359	(319)	298
Equipment Rental	500	500	379	121	-
Utilities	100	100	110	(10)	89
Repairs and Maintenance	3,148	3,148	-	3,148	-
Engineering	-	-	-	-	-
Capital Outlay	-	-	-	-	2,270
Operating Supplies/Other	-	-	-	-	-
Total Craven Dam	\$ 4,288	\$ 4,288	\$ 1,475	\$ 2,813	\$ 3,133

VILLAGE OF BELLAIRE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - WITH
COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED FEBRUARY 28, 2006
GENERAL FUND
YEAR ENDED FEBRUARY 28, 2007

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET	PRIOR YEAR ACTUAL
ZONING					
Wages	\$ 30,090	\$ 30,090	\$ 23,151	\$ 6,939	\$ 27,335
Fringe Benefits	2,738	2,738	1,771	967	2,091
Office Supplies	5,250	5,250	3,504	1,746	1,576
Legal Fees	3,000	3,000	5,734	(2,734)	12,175
Printing & Publishing	1,100	1,100	42	1,058	470
Education & Training	3,000	3,000	1,841	1,159	1,329
Transportation & Travel	600	600	160	440	175
Miscellaneous Expense	1,750	1,750	515	1,235	3,772
TOTAL ZONING	47,528	47,528	36,718	10,810	48,923
Total Expenditures	415,426	415,426	387,500	27,926	340,306
Excess of Revenues over Expenditures	77,779	77,779	162,385	84,606	196,935
OTHER FINANCING SOURCES (USES)					
Operating transfers out	(161,700)	(161,700)	(171,700)	(10,000)	(170,000)
Loan to other funds	-	-	-	-	-
	(161,700)	(161,700)	(171,700)	10,000	(170,000)
Excess (deficiency) of revenues over expenditures and other uses	(83,921)	(83,921)	(9,315)	74,606	26,935
Fund balance - beginning of year	523,889	523,889	460,824	(63,065)	475,757
Fund balance - end of year	<u>\$ 439,968</u>	<u>\$ 439,968</u>	<u>\$ 451,509</u>	<u>\$ 11,541</u>	<u>\$ 502,692</u>

VILLAGE OF BELLAIRE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - WITH
COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED FEBRUARY 28, 2006
PUBLIC SAFETY FUND
YEAR ENDED FEBRUARY 28, 2007

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET	PRIOR YEAR ACTUAL
REVENUES					
State grants	\$ 3,250	\$ 3,250	\$ 2,768	\$ (482)	\$ 3,454
Charges for services	7,650	7,650	4,907	(2,743)	8,891
Interest income	150	150	286	136	-
Miscellaneous	500	500	4,842	4,342	136
Total revenues	11,550	11,550	12,803	1,253	12,481
EXPENDITURES					
Wages-Public Safety	94,640	94,640	89,715	4,925	86,937
Fringe Benefits	61,240	61,240	55,778	5,462	49,589
Office Expense	3,310	3,310	3,777	(467)	5,361
Fuel	4,500	4,500	4,171	329	4,245
Professional Services	500	500	550	(50)	500
Telephone	800	800	925	(125)	922
Education	1,000	1,000	405	595	4,295
Capital Outlay	-	-	1,500	(1,500)	-
Insurance & Bonds	3,800	3,800	3,808	(8)	3,761
Miscellaneous	3,260	3,260	11,174	(7,914)	4,086
Total Expenditures	173,050	173,050	171,803	1,247	159,696
Excess (Deficiency) of Revenues over Expenditures	(161,500)	(161,500)	(159,000)	2,500	(147,215)
OTHER FINANCING SOURCES					
Transfers in	160,000	160,000	160,000	-	160,000
Excess (Deficiency) of Revenues and Other Sources over Expenditures	(1,500)	(1,500)	1,000	2,500	12,785
Fund Balance - Beginning of Year	22,801	22,801	35,586	12,785	22,801
Fund Balance - End of Year	\$ 21,301	\$ 21,301	\$ 36,586	\$ 15,285	\$ 35,586

VILLAGE OF BELLAIRE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - WITH
COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED FEBRUARY 28, 2006
MAJOR STREET FUND
YEAR ENDED FEBRUARY 28, 2007

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET	PRIOR YEAR ACTUAL
REVENUES					
State grants	\$ 60,500	\$ 60,500	\$ 57,632	\$ (2,868)	\$ 72,850
Other revenue	3,000	3,000	1,402	(1,598)	-
Charges for services	10,000	10,000	14,500	4,500	14,500
Interest income	2,000	2,000	5,684	3,684	3,235
Total revenues	75,500	75,500	79,218	3,718	90,585
EXPENDITURES					
Wages-Major Sts.	20,900	20,900	17,195	3,705	17,143
Fringe benefits	11,600	11,600	11,439	161	11,270
Repair and maintenance	14,900	14,900	11,250	3,650	6,552
Professional services	850	850	575	275	500
Traffic control	4,750	4,750	2,535	2,215	3,073
Capital outlay	-	-	-	-	25,866
Equipment rental	30,500	30,500	34,851	(4,351)	35,724
Insurance and bonds	675	675	640	35	640
Miscellaneous	500	500	634	(134)	558
Total expenditures	84,675	84,675	79,119	5,556	101,326
Excess (deficiency) of revenues over (under) expenditures	(9,175)	(9,175)	99	9,274	(10,741)
OTHER FINANCING SOURCES					
Transfer in	-	-	-	-	-
Excess (deficiency) of revenue and other sources over (under) expenditures	9,175	9,175	99	9,274	10,741
Fund balance - beginning of year	141,888	141,888	131,147	(10,741)	141,888
Fund balance - end of year	<u>\$ 132,713</u>	<u>\$ 132,713</u>	<u>\$ 131,246</u>	<u>\$ (1,467)</u>	<u>\$ 131,147</u>

VILLAGE OF BELLAIRE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - WITH
COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED FEBRUARY 28, 2006
LOCAL STREET FUND
YEAR ENDED FEBRUARY 28, 2007

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET	PRIOR YEAR ACTUAL
REVENUES					
Taxes and assessments	\$ 103,000	\$ 103,000	\$ 93,159	\$ (9,841)	\$ 103,482
State grants	28,000	28,000	36,862	8,862	37,119
Local grants	-	-	-	-	-
Interest income	1,200	1,200	3,601	2,401	2,898
Other	950	950	2,604	1,654	951
Total revenues	133,150	133,150	136,226	3,076	144,450
EXPENDITURES					
Wages-Local Sts.	24,400	24,400	12,765	11,635	18,256
Employers social security	13,900	13,900	8,435	5,465	12,003
Miscellaneous	1,050	1,050	701	349	898
Repair and maintenance	15,250	15,250	12,883	2,367	8,129
Professional services	1,550	1,550	724	826	500
Traffic control	1,900	1,900	2,461	(561)	-
Sidewalk construction	5,000	5,000	1,085	3,915	3,712
Capitla outlay	-	-	-	-	3,816
Equipment rental	31,000	31,000	23,819	7,181	35,733
Insurance and bonds	700	700	640	60	640
Debt service:					
Bond principal	16,189	16,189	28,070	(11,881)	22,941
Bond interest	7,484	7,484	7,258	226	12,387
Total expenditures	118,423	118,423	98,841	19,582	119,015
Excess (deficiency) of revenues over expenditures	14,727	14,727	37,385	22,658	25,435
OTHER FINANCING SOURCES					
Transfers in	-	-	-	-	-
Proceeds from the issuance of debt	-	-	-	-	-
Total other financing sources	-	-	-	-	-
Excess of revenues and other sources over expenditures and other uses	14,727	14,727	37,385	22,658	25,435
Fund balance - beginning of year	66,785	66,785	92,220	(25,435)	66,785
Fund balance - end of year	\$ 81,512	\$ 81,512	\$ 129,605	\$ 48,093	\$ 92,220

**VILLAGE OF BELLAIRE
COMBINING BALANCE SHEET
NON-MAJOR FUNDS
FEBRUARY 28, 2007**

	CEMETERY	BELLAIRE BUILDING AUTHORITY DEBT SERVIC	WATER UPGRADE DEBT SERVIC	SOCCER PARK	TOTAL
ASSETS					
Cash	\$ 12,812	\$ 1,049	\$ 14,300	\$ 8,683	\$ 36,844
Investments	87,776	-	-	-	87,776
Accounts receivable	9,867	-	-	-	9,867
Due from other governmental funds	-	-	-	-	-
Lease and interest receivable	-	157,842	-	-	157,842
Total assets	<u>\$ 110,455</u>	<u>\$ 158,891</u>	<u>\$ 14,300</u>	<u>\$ 8,683</u>	<u>\$ 292,329</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 8	\$ -	\$ -	\$ -	\$ 8
Due to other funds	13,067	-	-	-	13,067
Deferred income	-	-	-	7,600	7,600
Deferred lease and interest payments	-	157,842	-	-	157,842
Total liabilities	<u>13,075</u>	<u>157,842</u>	<u>-</u>	<u>7,600</u>	<u>178,517</u>
Fund Balances:					
Reserved for:					
Debt service	-	1,049	14,300	-	15,349
Unreserved	97,380	-	-	1,083	98,463
Total fund balance	<u>97,380</u>	<u>1,049</u>	<u>14,300</u>	<u>1,083</u>	<u>113,812</u>
Total liabilities and fund equity	<u>\$ 110,455</u>	<u>\$ 158,891</u>	<u>\$ 14,300</u>	<u>\$ 8,683</u>	<u>\$ 292,329</u>

VILLAGE OF BELLAIRE
COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
NON-MAJOR FUNDS
YEAR ENDED FEBRUARY 28, 2007

	CEMETARY	BELLAIRE BUILDING AUTHORITY DEBT SERVICE	WATER UPGRADE DEBT SERVICE	SOCCER PARK	TOTAL
REVENUES					
Local grants	\$ 8,998	\$ -	\$ -	\$ 12,400	\$ 21,398
Charges for services	6,550	-	-	-	6,550
Rental income	-	18,320	-	-	18,320
Interest income	5,152	15	-	128	5,295
Total revenues	20,700	18,335	-	12,528	51,563
EXPENDITURES					
Cemetery	24,178	-	-	-	24,178
Other	-	1,500	9,700	12,400	23,600
Debt service:					
Principal Payment	-	20,000	4,000	-	24,000
Interest Payment	-	13,640	1,760	-	15,400
Total expenditures	24,178	35,140	15,460	12,400	87,178
Excess (deficiency) of revenues over expenditures	(3,478)	(16,805)	(15,460)	128	(35,615)
OTHER FINANCING SOURCES (USES)					
Transfers in	11,700	-	5,760	-	17,460
Total other financing sources	11,700	-	5,760	-	17,460
Excess (deficiency) of revenues and other sources over expenditures and other uses	8,222	(16,805)	(9,700)	128	(18,155)
Fund balance - beginning of year	89,158	1,034	24,000	955	115,147
Fund balance - end of year	\$ 97,380	\$ (15,771)	\$ 14,300	\$ 1,083	\$ 96,992

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Bellaire, Michigan, as of and for the year ended February 28, 2007, which collectively comprise the Village of Bellaire, Michigan's basic financial statements and have issued our report thereon dated March 16, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Bellaire, Michigan's internal control over financial reporting as a basis for designing our auditing procedure for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village of Bellaire, Michigan's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village of Bellaire, Michigan's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village of Bellaire, Michigan's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Village of Bellaire, Michigan's financial statements that is more than inconsequential will not be prevented or detected by the Village of Bellaire, Michigan's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village of Bellaire, Michigan's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Bellaire, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Village of Bellaire, Michigan, in a separate letter dated May 23, 2007.

This report is intended solely for the information and use of management, the Village Council, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specific parties.


Keskin, Cook, Miller & Alexander, LLP



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Keskin, Cook, Miller & Alexander, LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

March 23, 2007

Village of Bellaire
P.O. Box 557
Bellaire, MI 49615

We have audited the financial statements of the Village of Bellaire for the year ended February 28, 2007, and have issued our report thereon dated March 23, 2007. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated March 1, 2007, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of the Village of Bellaire. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Village of Bellaire are described in the notes to the financial statements.

We noted no transactions entered into by the Village during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. The following attached pages summarize the adjustments that were proposed to management and made to the audited financial statements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Village's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Difficulties Encountered in Performing the Audit

The Village of Bellaire's accounting records were well organized and we are happy to report that there were no difficulties in performing the audit.

Comments and Recommendations

In planning and performing our audit of the financial statements of the Village of Bellaire, we noted no items requiring comment.

This information is intended solely for the information of the Village of Bellaire's Board and management and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,


Keskin, Cook, Miller & Alexander, LLP